

# PUBLIC DISCLOSURE

November 17, 1997

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank:

The Custar State Bank  
#04391840  
Custar, Ohio 43511

Supervisory Agency:

Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101-1387

NOTE:

This evaluation is not, nor should be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **TABLE OF CONTENTS**

- I. General Information
- II. Description of Institution
- III. Description of Assessment Area
- IV. Institution Rating
  - A. Overall Rating
  - B. Conclusions with Respect to Performance Tests

## **I. GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Custar State Bank prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of November 17, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

## II. DESCRIPTION OF INSTITUTION

The Custar State Bank ("Custar") is a state-chartered, member bank headquartered in Custar, Ohio. As of September 30, 1997, Custar had total assets of \$43 million and serves its assessment area from a single location, its headquarters in Custar, Ohio. Custar's assessment area is described more fully in Section III of this report.

Custar is a full-service financial institution, whose primary business focus is real estate and agricultural lending. The following table presents several key financial ratios for the institution:

| <b>Table 1<br/>Key Financial Ratios<br/>As of June 30, 1997</b> |             |             |
|-----------------------------------------------------------------|-------------|-------------|
| <b>Ratio</b>                                                    | <b>Bank</b> | <b>Peer</b> |
| <b>Return on Average Assets</b>                                 | 1.78%       | 1.2%        |
| <b>Net Loans &amp; Leases to Total Assets</b>                   | 68.5%       | 59.0%       |
| <b>Investments to Total Assets</b>                              | 7.3%        | 12.3%       |
| <b>Core Deposits to Total Assets</b>                            | 78.3%       | 76.5%       |
| <b>Net Loans &amp; Leases to Total Deposits</b>                 | 82.3%       | 68.2%       |

As indicated by the table, there are no legal or other impediments that would hamper the bank's ability to meet the community's credit needs.

## III. DESCRIPTION OF ASSESSMENT AREA

Generally, Custar's assessment area can primarily be defined as the southwest portion of Wood County, including the City of Bowling Green. The assessment area is comprised of ten census tracts, numbered 214, 215, 216, 217.01, 217.02, 218, 219, 220, 223, and 224. This assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies (i.e., census tracts or block numbering areas).

Tables 2 and 3 present relevant demographic information for the assessment area.

The median household and family income levels for the area are \$25,470 and \$33,871, respectively. Households are defined as all persons occupying a housing unit, while families are defined as a household with occupants related by birth, marriage, or adoption.

| <b>Table 2</b><br><b>Demographic Data by Geography</b> |                               |                                    |                              |                                        |                              |
|--------------------------------------------------------|-------------------------------|------------------------------------|------------------------------|----------------------------------------|------------------------------|
| <b>Type of Geography</b>                               | <b># and % of Geographies</b> | <b># and % of Total Population</b> | <b># and % of Households</b> | <b># and % of HH that are Families</b> | <b># and % of OO** Units</b> |
| Low-Income                                             | 1<br>10%                      | 7,862<br>17%                       | 111<br>1%                    | 0<br>0%                                | 116<br>1%                    |
| Moderate-Income                                        | 1<br>10%                      | 3,218<br>7%                        | 1,214<br>8%                  | 87<br>10%                              | 1,252<br>8%                  |
| Middle-Income                                          | 7<br>70%                      | 28,122<br>62%                      | 11,065<br>76%                | 6,123<br>71%                           | 11,686<br>77%                |
| Upper-Income                                           | 1<br>10%                      | 6,141<br>14%                       | 2,123<br>15%                 | 1,640<br>19%                           | 2,169<br>14%                 |
| Total                                                  | 10                            | 45,343                             | 14,513                       | 8,641                                  | 15,223                       |

\* Geographies are classified as follows:  
low-income geographies have median family incomes less than 50% of the area median family income,  
moderate-income geographies have median family income from 50% to less than 80% of the area median family income, middle-income geographies have median family income from 80% to less than 120% of the area median family income, upper-income geographies have median family income equal to or greater than 120% of the area median family income.

\*\* Owner-occupied units

Table 2 indicates that the assessment area contains one low-income and one moderate-income tract, with the area predominantly comprised of middle-income geographies. A substantial majority of the population, households, families, and owner-occupied housing units are located within those middle-income geographies.

|                |
|----------------|
| <b>Table 3</b> |
|----------------|

| <b>Demographic Data by Income Level</b> |                             |                        |                           |                      |
|-----------------------------------------|-----------------------------|------------------------|---------------------------|----------------------|
|                                         | <b>Number of Households</b> | <b>% of Households</b> | <b>Number of Families</b> | <b>% of Families</b> |
| Low-Income                              | 4,226                       | 29%                    | 1,680                     | 19%                  |
| Moderate-Income                         | 2,534                       | 18%                    | 1,712                     | 20%                  |
| Middle-Income                           | 2,818                       | 19%                    | 2,351                     | 27%                  |
| Upper-Income                            | 4,935                       | 34%                    | 2,898                     | 34%                  |
| Below Poverty Level**                   | 2,807                       | 19%                    | 643                       | 7%                   |

\* Household/family income levels are classified as follows:  
low-income households/families have median household/family incomes less than 50% of the area median household/family income, moderate-income households/families have median household/family income from 50% to less than 80% of the area median household/family income, middle-income households/families have median household/family income from 80% to less than 120% of the area median household/family income, and upper-income households/families have median household/family income equal to or greater than 120% of the area median household/family income.

\*\* Subset of low-income households/families

Although the assessment area contains only one low-income geography, this geography contains 17% of the total population. Table 3 indicates that there are considerably more low-income households and families living within the various geographies in the assessment area than identified by geographies. Table 3 further indicates that households and families are fairly evenly distributed among all income categories. Of the low-income households and families, approximately 40% are below the poverty level.

The assessment area contains 15,223 housing units. Of these units, 55% are owner-occupied, 40% are rental units, and 5% are vacant. One- to four-family units comprise 69% of the housing stock, with 58% of the housing stock consisting of one-family units. Multi-family units of five or more comprise 23%, and mobile homes comprise 8% of the remaining housing stock. The median housing value is \$64,900, with the median gross rent equivalent to \$385 per month.

The local economy has experienced robust growth and is considered strong. Wood County and the City of Bowling Green, Ohio, have been successful in attracting new businesses to the area as well as providing a climate for expansion of existing

business located in the community. A substantial portion of the employment base is centered in the service and retail trade sectors, which contains more than 53% of the area's total employment. Manufacturing and government, respectively, are the next largest employers within the bank's assessment area.

Four community contacts were conducted in conjunction with the examination, the purpose of which was to assess the economic conditions and credit needs of the area. These contacts as well as other economic and demographic information confirmed that the area continues to prosper. The primary credit needs identified through the contacts include mortgage and business loans.

#### **IV. INSTITUTION RATING**

This institution's record of performance is considered satisfactory.

Major factors contributing to this rating include:

Na an excellent loan-to-deposit ratio,

Na a good percentage of loans inside assessment areas,

Na a reasonable distribution of loans throughout the assessment area geographies, and

Na a good penetration of loans among customers of different income levels.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

##### **Loan-To-Deposit Ratio**

The loan-to-deposit ratio is the one measure used to analyze the level of deposited funds received by a smaller institution that are reinvested in the community through loans. For Custar, an average loan-to-deposit ratio of 78.1% was calculated using the ratios from the eight quarters between December 1995 and September 1997. The bank's loan-to-deposit ratio has remained fairly constant, with quarterly reported ratios within the middle to upper 70% range and the most recent ratio equivalent to 82.3%.

The bank's loan-to-deposit ratio significantly exceeds the most recent peer level of 68.2%, indicating a high level of lending activity by the bank.

##### **Lending Within the Assessment Area**

Table 4 indicates that the level of lending by product type within the bank's assessment area. Depicted in the table are all consumer loans for the first six months of 1997 and all loans reported on the bank's Home Mortgage Disclosure Act Loan/Application Register for 1996 and the first six months of 1997.



| <b>Table 4</b><br><b>Lending Within Assessment Areas by Loan Product</b> |                        |                         |                         |                         |
|--------------------------------------------------------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| <b>Loan Type</b>                                                         | <b>Number of Loans</b> | <b>% of Total Loans</b> | <b>Amount of Loans*</b> | <b>% of Total Loans</b> |
| All consumer loans                                                       | 98                     | 68%                     | \$ 775                  | 75%                     |
| Small business/ Ag loans                                                 | 67                     | 67%                     | \$2,473                 | 68%                     |
| Home purchase                                                            | 78                     | 73%                     | \$4,510                 | 72%                     |
| Refinancing                                                              | 7                      | 64%                     | \$ 531                  | 67%                     |
| Total                                                                    | 250                    | 68%                     | \$8,290                 | 71%                     |

\* In thousands

The table indicates that the bank originated 250 loans totaling approximately \$8.3 million over the period surveyed. Of these aggregates, 68% of the number and 71% of the dollar volume of the bank's loans were originated within its assessment area.

In summary, the bank demonstrates a good number of loans originated within its assessment area.

### **Geographic Distribution**

Table 5 illustrates Custar's distribution of all loan products by geographic categorization within the bank's assessment area. For each loan product, the table indicates the number and dollar amount of the loan originations in each category of geography expressed as a percentage of the total number and dollar amount of the respective loan product. Additionally, the table shows the percentage of geographies, population, households, families, and owner-occupied units within the bank's assessment area classified as low-, moderate-, middle-, and upper-income.

| <b>Table 5</b><br><b>Distribution of All Loan Products by Assessment Area Geography</b> |                   |                        |                      |                     |
|-----------------------------------------------------------------------------------------|-------------------|------------------------|----------------------|---------------------|
| <b>Type of Loan</b>                                                                     | <b>Low-Income</b> | <b>Moderate-Income</b> | <b>Middle-Income</b> | <b>Upper-Income</b> |

|                                        |             |             |               |               |
|----------------------------------------|-------------|-------------|---------------|---------------|
| <b>All Consumer Loans</b>              | 0%*<br>0%** | 0%*<br>0%** | 93%*<br>92%** | 7%*<br>8%**   |
| <b>Commercial Loans</b>                | 0%*<br>0%** | 0%*<br>0%** | 93%*<br>96%** | 26%*<br>12%** |
| <b>Farm Loans</b>                      | 0%*<br>0%** | 0%*<br>0%** | 96%*<br>97%** | 4%*<br>3%**   |
| <b>Home Purchase</b>                   | 0%*<br>0%** | 0%*<br>0%** | 79%*<br>59%** | 21%*<br>41%** |
| <b>Refinancing</b>                     | 0%*<br>0%** | 0%*<br>0%** | 71%*<br>63%** | 29%*<br>37%** |
| <b>Percent of Geographies</b>          | 10%         | 10%         | 70%           | 10%           |
| <b>Percent of Population</b>           | 17%         | 7%          | 62%           | 14%           |
| <b>Percent of Households</b>           | 29%         | 18%         | 19%           | 19%           |
| <b>Percent of Owner-Occupied Units</b> | 0%          | 10%         | 70%           | 20%           |

\* Percentage of total number of loans for the respective loan category.

\*\* Percentage of the total dollar amount of loans for the respective loan category.

A preponderance of the bank's credit extensions for all loan categories centers in middle-income geographies. The table further indicates that the sample of credits includes no credit extensions within either the low- or moderate-income geographies. As mentioned previously, the assessment area contains only one low-income and one moderate-income geography, with the low-income geography located in the City of Bowling Green. The moderate-income geography is adjacent to Bowling Green; however, the location of each of these geographies is in excess of 6 miles from Custer's only banking location. Further, as indicated by bank management and community contacts, the Bowling Green banking market is highly competitive. All major regional banking concerns have a presence in the Bowling Green market.

Overall, the distribution of the bank's lending reflects a reasonable penetration among all geographies given the bank's size and location and the characteristics of the banking market in which the bank operates.

### **Borrower Distribution**

Table 6 illustrates Cusstar's distribution of all loan products by income level of the respective borrower. For each loan product, the table indicates the number and dollar amount of the loan originations by the income characteristic of the borrower expressed as a percentage of the total number and dollar amount of the respective loan product. Additionally, the table shows the percentage of total households and families within the assessment area in conjunction with their relative income characteristics.

| <b>Table 6</b><br><b>Distribution of All Loan Products by Income Level of Borrower</b> |                        |                             |                           |                          |
|----------------------------------------------------------------------------------------|------------------------|-----------------------------|---------------------------|--------------------------|
| <b>Type of Loan</b>                                                                    | <b>Low-<br/>Income</b> | <b>Moderate-<br/>Income</b> | <b>Middle-<br/>Income</b> | <b>Upper-<br/>Income</b> |
| <b>All Consumer<br/>Loans</b>                                                          | 37%*<br>24%**          | 38%*<br>34%**               | 12%*<br>15%**             | 13%*<br>26%**            |

|                              |             |               |               |               |
|------------------------------|-------------|---------------|---------------|---------------|
| <b>Home Purchase</b>         | 0%*<br>0%** | 17%*<br>14%** | 40%*<br>29%** | 43%*<br>57%** |
| <b>Refinancing</b>           | 0%*<br>0%** | 14%*<br>11%** | 43%*<br>43%** | 43%*<br>46%** |
| <b>Percent of Households</b> | 29%         | 17%           | 19%           | 34%           |
| <b>Percent of Families</b>   | 19%         | 20%           | 27%           | 34%           |

\* Percentage of total number of loans for the respective loan category.

\*\* Percentage of the total dollar amount of loans for the respective loan category.

The table reflects a relatively balanced distribution of lending across income categories for all lending products, with the exception being extensions of home purchase and refinance credit to low-income borrowers. Credit extensions of all types to moderate-income borrowers generally mirror the demographic distribution of households and families. Consumer loan credit extensions significantly exceed the family and household demographics for moderate-income borrowers.

In general, the distribution of the bank's lending reflects a good penetration among borrowers of low- and moderate-income characteristics.

### **Consumer Complaints**

Neither Custar nor the Federal Reserve Bank of Cleveland have received any complaints regarding the bank's performance under the Community Reinvestment Act.

### **Fair Lending Laws and Regulations**

No substantive or technical violations of the fair lending laws were noted during the examination. Custar's loan policy contained an Equal Credit Opportunity Act statement, and bank employees demonstrated a general understanding of the regulatory requirements with respect to fair lending.

